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Governor Minner and State Employee Benefits Committee Announce Significant Step to Address State's OPEB Retiree Liability

Dover – Governor Minner announced today the dedication of \$30.5 million to address the state's funding obligations due to Other Post Employment Benefits (OPEB). These funds were made available by the State Employee Benefits Committee (SEBC) today as a result of a current surplus in state employee health insurance funds.

"Throughout the years, Delaware has maintained a long-standing record of responsible fiscal stewardship," Gov. Minner said. "By addressing our OPEB liability through the use of surplus health insurance funds we have laid the groundwork for a comprehensive approach to this important issue."

In 2004, the Governmental Accounting Standards Board announced directives that would require state and local governments to report the liability for post-employment benefits, specifically, health and prescription drug benefits for retirees on their financial statements.

"The State Employees Benefit Committee has worked hard over the course of the Minner administration to aggressively control rising health care costs for state employees and retirees. Through the success of a variety of innovative programs, such as step therapies and rebate programs, the state has been able to gain a level of control over rising prescription drug costs and other health care costs, which have led to significant savings. It is a prudent and appropriate decision at this time to redirect this surplus to help ensure the fiscal integrity of the retiree health program for both current and future state retirees," said Office of Management and Budget Director Jennifer Davis, chair of the SEBC.

Secretary of Finance and SEBC member Richard Cordrey agreed, saying "Implementing the Governmental Accounting Standards Board directives will foster improved accountability for policy decisions regarding the level and types of benefits provided and potential methods of financing those benefits. However, states across the country are grappling with how to best address these significant future liabilities. Bond rating agencies have indicated that governments should develop a strategy to address OPEB liabilities over the long term. I am happy that the SEBC is taking this step now to bolster our OPEB reserves as we develop a comprehensive strategy."

"As a member of the Retirement Benefits Committee established by Governor Minner through Executive Order 67, I am well aware that the state must secure a long-term funding solution for OPEB. DSEA agrees with and supports the decision of the SEBC to redirect a large part of the current surplus in this way," said Howard Weinberg, Executive Director of the Delaware State Education Association.

"Ensuring appropriate benefits for our retirees is a high priority for Council 81 membership," said Michael Begatto, Executive Director of AFSCME Council 81. "We fully support the Governor and SEBC in directing these funds toward this large obligation".

Delaware currently maintains a balance of approximately \$25.2 million for OPEB requirements funded through a payroll charge of 0.3% of payroll. The current actuarial liability for OPEB benefits is \$3.2 billion.

